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Commentary 2	Criterion A: Diagrams	Criterion B: Terminology	Criterion C: Application	Criterion D: Analysis	Criterion E: Evaluation	Total marks	Nature of the article			
Marks awarded for each criterion available	3 /3	2 /2	2 /2	3 /3	3 /4	13 /14	OK .			
Comments	Diagrams + terms are again precise + well applied. The detailed explanation for Fig 2. compares for and ✓ brevity in explaining (Fig).							Relevant theory applied + relevant government policies examined	Good - but could have evaluated policies more specific to youth ✓ unemployment.	Overall comments Good.

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Spain's 'Lost Generation': Youth Unemployment Hits 57 Percent

Agence France Presse | By Daniel Bosque Homs

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Despite having a bachelor's degree, five years of professional experience and speaking three languages, Paloma Fernandez has joined the swelling ranks of Spain's "lost generation" that can't find work in a grinding recession.

The 28-year-old, who has a degree in translation, lost her job of four years at the justice ministry in December 2011 and as of last month she lost the right to collect unemployment benefits.

Since losing her job she has sent out dozens of resumes for jobs as a translator, administrative assistant or receptionist but has not had any luck.

"Sometimes you feel like yelling: 'I want a job, I want to have a routine!' We always complain about routines but when you don't have it, you miss it," said Fernandez.

Many other Spanish youths find themselves in the same situation.

The unemployment rate for those between the ages of 16 and 24 has soared to 57.22 percent, and a record 27.16 percent overall, at the end of the first quarter as the country struggles through a double-dip recession sparked by the collapse of a decade-long building boom in 2008.

"It is probably a generation, I don't know if you should call it lost, but which will mark a before and after the crisis" in terms of consumption and lifestyle habits, said Sara Balina, chief economist for Spain at Madrid-based consultancy Analistas Financieros Internacionales.

As an example she points out that young people are putting off the age at which they move out of home since they struggle to find stable employment.

Fernandez shares a bright but sparsely decorated flat that she rents for 400 euros (\$520) a month from her family in Moratalaz, a Madrid suburb, with her boyfriend who is also unemployed, and a cat called Rayo.

"It is very unstable and I don't know what my life plan is. I apply for jobs and I can't make major long-term plans, not even short-term plans," she said, adding thinking of having children now "would be crazy".

Fernandez, who is already fluent in English and French in addition to her native Spanish, tries to keep busy by learning Japanese, attending fitness classes and tutoring students in languages to earn some money.

Rocio Alarcon, who completed a degree in political sciences last year with the third highest grade in her class, shares her worries.

The 23-year-old, who lives with her parents in Getafe, a Madrid suburb, had hoped to find a job to contribute to the family's budget and to save to pay for a master's degree which she will begin in September.

"I didn't aspire to work as a political scientist from the beginning. But the fact is that out of all the resumes I sent, I have not been called for any interview," said Alarcon, adding employers usually ask for a high level of English and previous work experience.

"It is a curious thing to ask for previous experience from young people who have just finished their studies. They have not given us time to get any experience."

Like many young out of work Spanish youths, Alarcon plans to look for work abroad once she completes her master's degree if she can't find a job in Spain, a trend that worries experts who fear the country is losing its talent.

"I will look for work wherever. If it is in Spain great and if it is abroad I would have no problem," she said.

Fernandez said she had always been open to working abroad but now sees it as a necessity.

"Going abroad attracts me but right now it is not a question of tastes, it is the only option I have. The feeling that you are being forced to go or that you have no option is the hardest part," she said.

From the beginning of 2012 to the end of March, some 365,000 Spaniards between the ages of 16 and 29 have left the country, according to the National Statistics Institute.

With Spain in need of a change in its economic model, the loss of young people with university studies represents the loss of "one of the key elements for growth, which is human capital," said Balina.

"We can't have a situation where young people with higher education who can help revitalise sectors that Spain needs to grow, are the ones to abandon the country," she added.

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Since 2008 the unemployment rate in Spain has been generally increasing, with emphasis on those aged sixteen to twenty-four (Tradingeconomics.com 2013). Unemployment, occurring when workers are without work but are actively seeking a job, has negative implications for the unemployed and the economy as a whole. To combat the problems facing Spanish youth discussed in this article there are a number of solutions of varying likely efficacy that the government may implement.

The most obvious cause of increasing youth unemployment is the “grinding recession”, a recession being defined as two or more consecutive quarters of negative economic growth. The decrease in aggregate demand, made up of consumption, investment, government spending and net exports, implies less demand for labour. This in turn leads to greater economic decline with the unemployed contributing less to Spain’s aggregate demand, an example in the article being young people living at home for longer.

To reduce the youth unemployment rate, which has “soared to 57.22 percent”, in comparison with “27.16 percent overall”, the government may adopt demand-side policies. This will help achieve the aim in Figure 1 below of shifting AD to AD_1 , in seeking to lessen the deflationary gap. Implementing fiscal policy with decreased taxes and increased government spending could encourage firms to invest more and consumers to spend more, with the multiplier effect taking place, as well as provide jobs through government-funded projects and, if there are relatively high-profile projects, possibly increase consumer and business confidence. However, expansionary fiscal policy may not be a very practical course of action considering the large government deficit of 10.6% of the GDP (CNBC.com 2013).

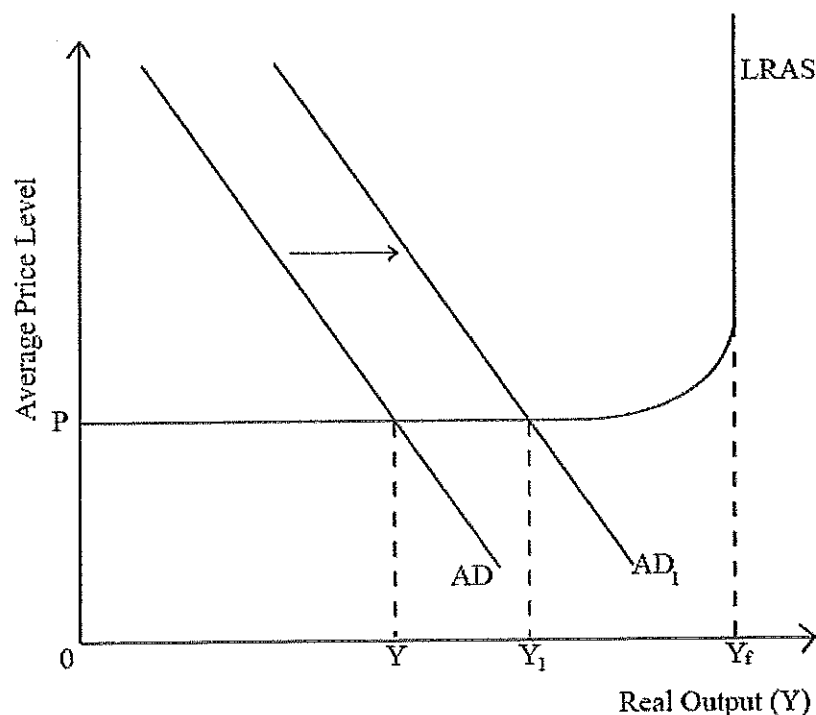


Figure 1: Increase in aggregate demand over long run

The government may also consider using expansionary monetary policy by increasing the economy’s money supply and reducing the central bank’s base interest rate to encourage more borrowing, thereby increasing investment and consumption. However, a problem with this, also present in altering fiscal policy, is that it can be difficult to gauge how large an adjustment should be made to have enough effect without causing high inflation. In addition, with consumer and business confidence likely to be very low these policies may not be very effective in increasing aggregate demand. Possible evidence of recent low confidence in the future of Spain’s job market is the fact that from January to March 2012 “some 365,000 Spaniards between the

ages of 16 and 29 have left the country”, which may further slow recovery due to the loss of educated youths needed to “help revitalise sectors”.

Another factor that may be contributing to high unemployment rates is the strong presence of trade unions in Spain. This means that it is often difficult and costly to fire employees, leading to employers being particularly inclined not to risk hiring youths as they lack “previous work experience”. In addition, trade unions put pressure on firms not to reduce wages, which in combination with minimum wage legislation and a desire to avoid lowering worker productivity causes wages to be sticky downwards. In consequence, in Figure 2 when aggregate demand for labour shifts to the left, as wages stay at W , the number of workers demanded falls from Q to Q_2 instead of Q_1 . For the number of workers demanded to fall to Q_1 wages would have to reduce to W_1 . To allow this to happen deregulation could occur and the minimum wage could be lowered or abolished, however it is likely that this would lead to greater inequity within the economy.

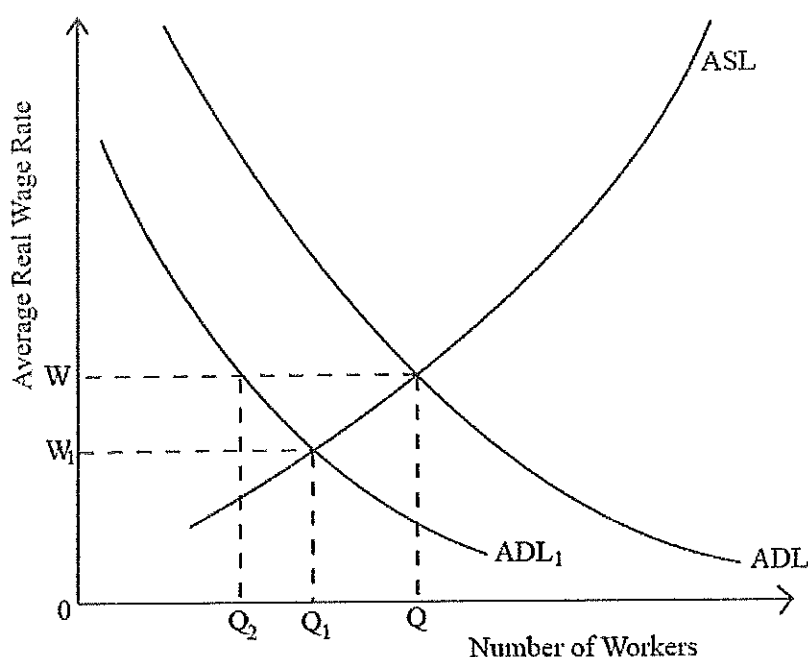


Figure 2: Decrease in aggregate demand for labour

In addition, allowing average wages to fall will only reduce the amount by which the number of workers demanded falls, as opposed to increasing aggregate demand. Therefore the supply side policies mentioned here would only act as partial temporary solutions to unemployment, unlike the demand side policies discussed earlier.

The government could also use interventionist supply side policies to ensure that youths are able to take the jobs that are available, such as by improving the information flow and introducing more apprenticeships schemes. This could reduce frictional and structural employment but again would not be targeting the main issue of demand deficient unemployment.

In conclusion, to decrease the high levels of youth unemployment in Spain it is necessary to increase aggregate demand through the use of expansionary fiscal and monetary policy, in aiming to make consumption and investment more attractive and possible and revitalise the economy with increased government spending. However the possibility of quick recovery is limited, as with monetary policy not likely to be sufficient the government may have to consider incurring even greater debts.

CNBC.com. 2013. Spain's Budget Deficit Worst in Euro Zone. [online] Available at: <http://www.cnbc.com/id/100659645> [Accessed: 24 Aug 2013].

Tradingeconomics.com. 2013. Spain Unemployment Rate | Actual Value | Historical Data | Forecast. [online] Available at: <http://www.tradingeconomics.com/spain/unemployment-rate> [Accessed: 24 Aug 2013].